

9 September 2009

Update


Construction
 Poland

2009E P/E 13.7
2009E EV/EBITDA 7.7
WIG Budownictwo* 5 456

**Construction Sector Index*

Construction

Unexpected Contract Awards

We were taken by surprise when national road authority the GDDKiA announced two days ago that it had selected winners in two tenders for 25km and 22km stretches of the A4 motorway. The two best bidders are Mostostal Warszawa and Warbud, respectively. The competition for these particular contracts was not very heated, with five firms competing for one, and seven for the other. The differences between the quotes submitted by the bidders were also insignificant (except for the pricey offer of a consortium led by Erbud). Finally, in this case, Polish firms did not have to compete against rivals from countries like China, India, Turkey, or Lithuania. We did not take the two A4 contracts into account when we predicted that the GDDKiA would order a total of PLN 8.9 billion-worth of road construction services this year, and we consider these awards to be a sign of an recovery in the infrastructure industry. Accordingly, we decided to revisit our outlook on the companies in our coverage universe with the largest road-building businesses, and we are raising our price targets on Budimex and Mostostal Warszawa, while retaining accumulate ratings on their shares (note that we see more upside potential in Budimex stock).

	9MTP	Rating
Budimex	78.8	Accumulate
Mostostal Warszawa	84.7	Accumulate

	9MTP	Upside Potential*
Budimex	78.8	11.9%
Mostostal Warszawa	84.7	9.9%

** closing prices as of 8 September 2009*

Sector Outlook

Our investment ratings for construction companies are based on more refined criteria. In addition to analyzing the firms by business segment and backlog size, we look at such factors as risk of margin erosion, or net cash position. We would also like to turn the attention of investors to small building firms which are a good alternative to the larger listed players.

The A4 price quotes

Mostostal Warszawa's winning bid on a 25km stretch of the A4 (Wierzbna-Radymno) amounted to PLN 963.7m gross (MSW forms a consortium with Acciona). The other bidders included Budimex & Ferrovial (PLN 969.2m), J&P Avax (PLN 1013.2m), Strabag & Mota-Engil (PLN 1051.2m), and Alpine Bau & Erbud (PLN 1829.9m). Offers on the shorter, 22km section of the A4 (Radymno-Korczowa) included the winning bid by Warbud & Eurovia (PLN 796.4m), followed by J&P Avax (PLN 818.5m), Mota-Engil & Strabag (PLN 850.6m), PRM Mosty Łódź (PLN 904m), Mostostal Warszawa & Acciona (PLN 936.4m), Budimex & Ferrovial (PLN 942.4m), and Alpine Bau & Erbud (PLN 1792.3m).

Revenue, ratings revisions

We predict that road-construction contracts will account for 60% of the 2010 annual revenue of Budimex, and contribute 40% of the 2010 revenue of Mostostal Warszawa. The ratios will be smaller in case of the other companies (12% for Polimex Mostostal, 10% for Erbud, 8% for Unibep, 7% for PBG). We also reviewed our 2010 growth forecasts for the road infrastructure revenues of Mostostal Warszawa and Budimex (in whose case we also adjusted revenue estimates for the real-estate business). Our favorite pick of the two is Budimex, which is more reasonably priced and has a stronger standing as provider of road-building services.

WIG Budownictwo vs. WIG



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	FY09E P/E	FY10E P/E	FY09E EV/EBITDA	FY10E EV/EBITDA
Budimex	11.4	13.0	8.3	9.1
Elektrobudowa	17.1	18.8	11.5	13.0
Erbud	15.3	14.6	9.1	8.9
Mostostal Warszawa	12.8	14.8	7.0	8.6
PBG	14.5	12.8	9.9	8.1
Polimex Mostostal	12.4	14.3	8.0	7.9
Rafako	18.4	12.4	7.1	5.2
Trakcja Polska	9.9	12.8	4.6	6.5
Ulma	65.4	19.7	6.5	5.2
Unibep	10.0	13.4	7.3	7.5



DCF Valuation Model

(PLN m)	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2018+
Revenue	3 451.0	4 245.5	4 659.1	4 953.8	5 255.7	5 417.1	5 569.3	5 765.5	5 958.8	6 148.2	
<i>change</i>	3.0%	23.0%	9.7%	6.3%	6.1%	3.1%	2.8%	3.5%	3.4%	3.2%	
EBITDA	219.8	172.5	152.1	160.0	170.2	172.1	176.9	183.1	189.1	189.2	
<i>EBITDA margin</i>	6.4%	4.1%	3.3%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.1%	
Amortization & depreciation	22.8	8.5	8.9	9.2	9.6	9.9	10.1	10.3	10.5	10.6	
EBIT	196.9	164.0	143.2	150.8	160.7	162.3	166.8	172.8	178.7	178.6	
<i>EBIT margin</i>	5.7%	3.9%	3.1%	3.0%	3.1%	3.0%	3.0%	3.0%	3.0%	2.9%	
Tax rate on EBIT	39.4	32.8	28.6	30.2	32.1	32.5	33.4	34.6	35.7	35.7	
NOPLAT	157.5	131.2	114.6	120.6	128.5	129.8	133.4	138.2	142.9	142.9	
CAPEX	-29.7	-17.0	-18.2	-17.7	-17.5	-16.9	-16.3	-14.9	-10.5	-10.6	
Working capital	-375.3	-17.9	227.1	6.6	1.7	2.5	0.3	-1.9	-1.4	1.3	
Real-Estate Development	-208.9	165.7	210.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Construction and Other	-166.4	-183.6	17.0	6.6	1.7	2.5	0.3	-1.9	-1.4	1.3	
FCF	-224.7	104.8	332.3	118.8	122.3	125.2	127.6	131.7	141.5	144.2	148.5
<i>WACC</i>	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	10.6%	
<i>discount factor</i>	92.4%	83.2%	74.9%	67.4%	60.7%	54.6%	49.1%	44.2%	39.8%	36.0%	
PV FCF	-207.7	87.2	248.8	80.1	74.2	68.4	62.7	58.2	56.3	51.9	
WACC	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	10.6%	
Cost of debt	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	6.8%	
Risk-free rate	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	5.6%	
Risk premium	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	
Net debt / EV	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Cost of Equity	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	10.6%	
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
FCF growth after the forecast horizon		3.0%									
Terminal value		1954.54									
Present value of the terminal value (PV TV)		703.5									
Present value of FCF in the forecast horizon		580.2									
Equity value (EV)		1 283.7									
Net debt		-340.6									
Land Bank Valuation		233.8									
Minority interests		0.1									
Equity value		1 858.0									
Number of shares (millions)		25.5									
Equity value per share (PLN)		72.8									
Cost of equity (9M)		8.2%									
Target Price		78.8									
EV/EBITDA('09) for the target price		9.3									
P/E('09) for the target price		12.7									
TV to EV		55%									

Sensitivity Analysis

FCF growth in perpetuity

	2.0%	2.5%	3.0%	3.5%	4.0%
WACC -1.0ppt	83.6	86.6	90.2	94.5	99.6
WACC -0.5ppt	78.8	81.0	83.6	86.6	90.2
WACC	75.0	76.8	78.8	81.0	83.6
WACC +0.5ppt	72.1	73.5	75.0	76.8	78.8
WACC +1.0ppt	69.7	70.8	72.1	73.5	75.0

**Income Statement**

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F *
Revenue	3 043.2	3 075.9	3 350.0	3 451.0	4 245.5	4 659.1	4 953.8
<i>change</i>	12.6%	1.1%	8.9%	3.0%	23.0%	9.7%	6.3%
Cost of sales	2 918.4	2 927.7	2 962.2	3 009.9	3 894.8	4 317.0	4 591.6
Gross profit	124.7	148.3	387.8	441.1	350.7	342.1	362.3
<i>Gross profit margin</i>	4.1%	4.8%	11.6%	12.8%	8.3%	7.3%	7.3%
Selling expenses	-28.0	-26.2	-24.8	-22.8	-25.5	-28.0	-29.7
General and administrative expenses	-108.0	-114.6	-133.1	-132.9	-148.8	-163.2	-173.6
Other net operating profit	-1.9	-21.1	-28.8	-54.9	-12.5	-7.7	-8.2
Derivative gains (losses)	23.1	41.7	-88.9	-33.6	0.0	0.0	0.0
EBIT	9.9	28.0	112.2	196.9	164.0	143.2	150.8
<i>change</i>	405.6%	182.2%	300.1%	75.5%	-16.7%	-12.7%	5.3%
<i>EBIT margin</i>	0.3%	0.9%	3.3%	5.7%	3.9%	3.1%	3.0%
Profit on financing activity	0.4	-16.1	24.3	3.7	3.6	20.9	24.3
Other	1.8	1.6	2.9	2.2	2.8	3.0	3.2
Pre-tax income	12.2	13.6	139.5	202.8	170.3	167.1	178.3
Tax	8.2	-0.5	34.6	45.1	32.4	31.7	33.9
Minority interests	0.1	-0.9	0.1	0.0	0.0	0.0	0.0
Net income	3.9	15.1	104.7	157.8	138.0	135.4	144.5
<i>change</i>	91.8%	286.9%	595.1%	50.6%	-12.6%	-1.9%	6.7%
<i>margin</i>	0.13%	0.49%	3.13%	4.57%	3.25%	2.91%	2.92%
Amortization and depreciation	21.2	23.6	22.0	22.8	8.5	8.9	9.2
EBITDA	31.1	51.7	134.2	219.8	172.5	152.1	160.0
<i>change</i>	34.5%	66.0%	159.8%	63.8%	-21.5%	-11.8%	5.2%
<i>EBITDA margin</i>	1.0%	1.7%	4.0%	6.4%	4.1%	3.3%	3.2%
Shares at year-end (millions)	25.5	25.5	25.5	25.5	25.5	25.5	25.5
EPS	0.2	0.6	4.1	6.2	5.4	5.3	5.7
CEPS	1.0	1.5	5.0	7.1	5.7	5.6	6.0
ROAE	0.7%	2.8%	17.7%	24.3%	19.1%	15.8%	15.0%
ROAA	0.2%	0.6%	4.1%	5.5%	4.3%	3.7%	3.6%

* The forecast does not factor in margins that could be generated from potential new real-estate development projects; the valuation of these projects is based on land value. Nonetheless, revenues in 2012+ are not adjusted for possible revenue from real-estate development, which explains the decline in margins in that period. Without revenue from real-estate development, 2012 EBIT margin is forecasted at 3.6%.

**Balance Sheet**

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
ASSETS	2 311.8	2 344.3	2 798.2	2 935.8	3 508.4	3 870.8	4 090.7
Fixed assets	424.7	475.6	537.0	543.9	552.4	561.8	570.2
Current assets	1 887.2	1 868.7	2 261.1	2 391.9	2 956.0	3 309.1	3 520.5
Inventories	384.8	533.3	660.4	858.0	725.0	531.9	544.0
Receivables	1 007.3	813.8	791.0	1 098.5	1 684.1	1 877.1	2 006.0
Short-term prepayments	5.9	5.0	5.8	5.8	5.8	5.8	5.8
Cash and cash equivalents	489.2	516.6	803.8	429.5	541.1	894.2	964.6
(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
LIABILITIES	2 311.8	2 344.3	2 798.2	2 935.8	3 508.4	3 870.8	4 090.7
Equity	523.3	536.2	644.7	653.5	791.5	926.8	999.0
Minority shares	1.0	0.1	0.0	0.0	0.0	0.0	0.0
Long-term liabilities	214.6	312.9	396.0	395.1	395.1	395.1	395.1
Loans	95.9	171.0	218.7	218.7	218.7	218.7	218.7
Reserves and other	32.9	48.5	80.8	80.0	80.0	80.0	80.0
Other	85.8	93.4	96.4	96.4	96.4	96.4	96.4
Short-term liabilities	1 573.0	1 495.1	1 757.5	1 887.2	2 321.9	2 548.9	2 696.5
Loans	138.3	106.2	95.6	95.6	95.6	95.6	95.6
Amounts owed to suppliers	919.6	781.7	937.4	1 016.8	1 283.1	1 422.2	1 512.7
Long-term accruals	459.9	543.9	641.1	691.3	859.7	947.6	1 004.8
Prepayments	55.3	63.3	83.5	83.5	83.5	83.5	83.5
Debt	234.2	277.2	314.3	314.3	314.3	314.3	314.3
Net debt	-255.0	-239.4	-340.6	33.8	-226.8	-580.0	-650.3
(Net debt / Equity)	-48.7%	-44.6%	-52.8%	5.2%	-28.7%	-62.6%	-65.1%
(Net debt / EBITDA)	-8.2	-4.6	-2.5	0.2	-1.3	-3.8	-4.1
BVPS	20.5	21.0	25.3	25.6	31.0	36.3	39.1

**Cash Flows**

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
Cash flows from operating activities	-78.0	-15.2	252.3	-194.7	128.6	371.4	160.3
Net income	3.9	15.1	104.7	157.8	138.0	135.4	144.5
Amortization and depreciation	21.2	23.6	22.0	22.8	8.5	8.9	9.2
Working capital	-56.6	-41.1	-205.1	-375.3	-17.9	227.1	6.6
Other	-46.5	-12.8	330.7	0.0	0.0	0.0	0.0
Cash flows from investing activities	16.7	19.1	-69.0	-29.7	-17.0	-18.2	-17.7
CAPEX	-16.1	-7.8	0.8	-29.7	-17.0	-18.2	-17.7
Capital investments	33.5	2.8	0.0	0.0	0.0	0.0	0.0
Derivatives	64.4	28.0	0.0	0.0	0.0	0.0	0.0
Other	-65.1	-3.8	-69.8	0.0	0.0	0.0	0.0
Cash flows from financing activities	93.3	16.0	10.4	-149.0	0.0	0.0	-72.2
Stock offering	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend (buy-back)	0.0	0.0	0.0	-149.0	0.0	0.0	-72.2
Other	93.3	16.0	10.4	0.0	0.0	0.0	0.0
Change in cash	32.0	20.0	193.7	-373.5	111.6	353.1	70.4
Cash at end of period	89.5	109.4	303.1	-70.3	41.2	394.4	464.8
DPS (PLN)	0.0	0.0	0.0	5.8	0.0	0.0	2.8
FCF	4.6	-10.2	-122.1	-224.7	104.8	332.3	118.8
(CAPEX / Sales)	0.5%	0.3%	0.0%	0.9%	0.4%	0.4%	0.4%

Market multiples

	2006	2007	2008	2009F	2010F	2011F	2012F
P/E	461.6	119.3	17.2	11.4	13.0	13.3	12.4
P/CE	71.7	46.5	14.2	10.0	12.3	12.5	11.7
P/BV	3.4	3.4	2.8	2.8	2.3	1.9	1.8
P/S	0.6	0.6	0.5	0.5	0.4	0.4	0.4
FCF/EV	0.3%	-0.7%	-8.4%	-12.3%	6.7%	27.3%	10.4%
EV/EBITDA*	49.6	30.2	10.9	8.3	9.1	8.0	7.2
EV/EBIT	155.3	55.6	13.0	9.3	9.6	8.5	7.6
EV/S	0.5	0.5	0.4	0.5	0.4	0.3	0.2
DYield	0.0%	0.0%	0.0%	8.3%	0.0%	0.0%	4.0%
Price (PLN)	70.4						
Shares at year-end (millions)	25.5	25.5	25.5	25.5	25.5	25.5	25.5
MC (PLN m)	1797.3	1797.3	1797.3	1797.3	1797.3	1797.3	1797.3
Equity attributable to minority shareholders (PLN m)	1.0	0.1	0.0	0.0	0.0	0.0	0.0
EV (PLN m)	1 543.3	1 558.0	1 456.8	1 831.1	1 570.5	1 217.4	1 147.0

*EV/EBITDA based on net debt at year-end of each fiscal year.



DCF Valuation Model

(PLN m)	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2018+
Revenue	2 711.1	2 925.1	3 163.1	3 451.4	3 700.1	3 883.4	4 060.0	4 249.0	4 431.3	4 590.1	
<i>change</i>	25.8%	7.9%	8.1%	9.1%	7.2%	5.0%	4.5%	4.7%	4.3%	3.6%	
EBITDA	202.0	162.4	161.7	181.1	191.8	196.1	199.9	208.9	216.5	223.1	
<i>EBITDA margin</i>	7.5%	5.6%	5.1%	5.2%	5.2%	5.0%	4.9%	4.9%	4.9%	4.9%	
Amortization & depreciation	23.7	24.1	24.1	24.1	24.0	24.4	24.9	25.5	25.5	25.5	
EBIT	178.3	138.4	137.6	157.1	167.8	171.7	175.0	183.4	191.0	197.6	
<i>EBIT margin</i>	6.6%	4.7%	4.4%	4.6%	4.5%	4.4%	4.3%	4.3%	4.3%	4.3%	
Tax rate on EBIT	33.9	26.3	26.2	29.8	31.9	32.6	33.2	34.8	36.3	37.5	
NOPLAT	144.4	112.1	111.5	127.2	135.9	139.1	141.7	148.5	154.7	160.0	
CAPEX	-33.2	-31.3	-28.9	-28.9	-28.8	-29.2	-29.9	-30.6	-25.5	-25.5	
Working capital	-54.0	-25.1	1.9	-14.7	-11.0	-7.0	-6.5	-8.4	-8.0	-6.9	
FCF	80.9	79.7	108.6	107.8	120.1	127.3	130.2	135.0	146.8	153.1	157.7
<i>WACC</i>	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	10.6%
<i>discount factor</i>	95.7%	86.1%	77.5%	69.8%	62.8%	56.5%	50.9%	45.8%	41.2%	37.3%	
PV FCF	77.5	68.7	84.2	75.2	75.4	72.0	66.3	61.9	60.5	57.1	
WACC	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	10.6%
Cost of debt	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	6.8%
Risk-free rate	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	5.6%
Risk premium	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Net debt / EV	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Cost of Equity	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	10.6%
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
FCF growth after the forecast horizon		3.0%									
Terminal value		2 075.3									
Present value of the terminal value (PV TV)		773.7									
Present value of FCF in the forecast horizon		698.6									
Equity value (EV)		1 472.3									
Net debt		-231.0									
Other non-operating assets		0.0									
Minority interests		138.2									
Equity value		1 565.2									
Number of shares (millions)		20.0									
Equity value per share (PLN)		78.3									
Cost of equity (9M)		0.1									
Target Price		84.7									
EV/EBITDA('09) for the target price		7.5									
P/E('09) for the target price		13.7									
TV to EV		49%									

Sensitivity Analysis

FCF growth in perpetuity

	2.0%	2.5%	3.0%	3.5%	4.0%
WACC -1.0ppt	80.0	82.4	85.1	88.2	91.8
WACC -0.5ppt	79.8	82.2	84.9	88.0	91.6
WACC	79.6	82.0	84.7	87.8	91.4
WACC +0.5ppt	79.4	81.8	84.5	87.6	91.1
WACC +1.0ppt	79.2	81.6	84.3	87.3	90.9

**Income Statement**

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
Revenue	1 188.1	1 928.4	2 154.2	2 711.1	2 925.1	3 163.1	3 451.4
<i>change</i>	42.0%	62.3%	11.7%	25.8%	7.9%	8.1%	9.1%
Cost of sales	1 123.1	1 822.2	1 952.9	2 428.8	2 677.7	2 912.3	3 170.9
Gross profit	65.0	106.2	201.4	282.3	247.5	250.8	280.5
<i>Gross profit margin</i>	5.5%	5.5%	9.3%	10.4%	8.5%	7.9%	8.1%
Selling expenses	-0.8	-0.8	-1.0	-1.2	-1.2	-1.3	-1.4
General and administrative expenses	-54.5	-59.2	-74.4	-90.7	-99.5	-107.5	-117.3
Other net operating profit	11.5	12.7	-12.5	-12.0	-8.5	-4.3	-4.7
EBIT	21.2	58.9	113.4	178.3	138.4	137.6	157.1
<i>change</i>	-395.5%	178.0%	92.6%	57.2%	-22.4%	-0.5%	14.1%
<i>EBIT margin</i>	1.8%	3.1%	5.3%	6.6%	4.7%	4.4%	4.6%
Profit on financing activity	-2.0	1.3	1.4	-6.3	10.1	11.6	14.2
Equity in income of associates	0.3	2.2	-1.7	0.2	0.9	1.1	1.2
Pre-tax income	19.5	62.3	113.1	172.2	149.4	150.4	172.4
Tax	-1.5	-3.7	-26.4	-32.5	-28.4	-28.6	-32.8
Minority interests	1.1	5.7	14.1	16.3	14.1	14.2	16.3
Net income	17.0	52.9	72.6	123.4	106.8	107.6	123.3
<i>change</i>	-	211.7%	37.2%	69.9%	-13.4%	0.7%	14.7%
<i>margin</i>	1.4%	2.7%	3.4%	4.6%	3.7%	3.4%	3.6%
Amortization and depreciation	19.4	19.6	22.9	23.7	24.1	24.1	24.1
EBITDA	40.6	78.5	136.3	202.0	162.4	161.7	181.1
<i>change</i>	275.4%	93.2%	73.7%	48.2%	-19.6%	-0.4%	12.0%
<i>EBITDA margin</i>	3.4%	4.1%	6.3%	7.5%	5.6%	5.1%	5.2%
Shares at year-end (millions)	17.0	20.0	20.0	20.0	20.0	20.0	20.0
EPS	1.0	2.6	3.6	6.2	5.3	5.4	6.2
CEPS	2.1	3.6	4.8	7.4	6.5	6.6	7.4
ROAE	10.9%	20.8%	23.7%	32.3%	23.2%	20.9%	21.4%
ROAA	2.8%	6.0%	6.7%	9.6%	7.3%	6.8%	7.1%

**Balance Sheet**

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
ASSETS	750.2	1 009.0	1 173.1	1 403.5	1 524.6	1 652.8	1 804.2
Fixed assets	165.5	184.2	239.0	248.5	255.7	260.6	265.4
Intangible assets	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Equity in associates	2.2	4.2	4.2	4.2	4.2	4.2	4.2
Property, plant and equipment	139.5	150.7	175.8	185.3	192.6	197.4	202.2
Long-term investments	1.5	1.3	1.3	1.3	1.3	1.3	1.3
Other	21.2	26.8	56.5	56.5	56.5	56.5	56.5
Current assets	584.6	824.8	934.1	1 155.0	1 268.8	1 392.3	1 538.8
Inventories	30.7	54.6	58.5	72.8	80.2	87.3	95.0
Receivables	323.2	332.0	424.9	534.8	577.0	615.3	671.4
Short-term prepayments	57.4	147.3	188.9	267.4	320.6	346.6	378.2
Cash and cash equivalents	170.6	287.7	258.6	276.8	287.8	339.9	391.0
Other	2.7	3.2	3.2	3.2	3.2	3.2	3.2
(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
LIABILITIES	750.2	1 009.0	1 173.1	1 403.5	1 524.6	1 652.8	1 804.2
Equity	224.3	284.9	328.9	434.9	487.7	541.9	611.4
Minority shares	54.4	59.5	59.5	59.5	59.5	59.5	59.5
Long-term liabilities	50.2	34.4	35.0	36.7	37.1	37.5	38.1
Loans, finance leases	24.1	16.5	16.5	16.5	16.5	16.5	16.5
Reserves and other	26.1	17.9	18.5	20.3	20.6	21.1	21.6
Short-term liabilities	421.2	630.2	749.7	872.4	940.2	1 013.9	1 095.2
Loans	16.8	29.3	29.3	29.3	29.3	29.3	29.3
Amounts owed to suppliers	249.1	311.7	331.7	412.6	454.8	494.7	538.6
Long-term accruals	90.0	217.3	278.2	346.0	381.5	414.9	451.7
Other	65.3	71.9	110.5	84.5	74.6	75.0	75.5
Debt	40.9	45.8	45.8	45.8	45.8	45.8	45.8
Net debt	-129.7	-241.9	-212.8	-231.0	-242.0	-294.1	-345.2
(Net debt / Equity)	-57.8%	-84.9%	-64.7%	-53.1%	-49.6%	-54.3%	-56.5%
(Net debt / EBITDA)	-3.2	-3.1	-1.6	-1.1	-1.5	-1.8	-1.9
BVPS	13.2	14.2	16.4	21.7	24.4	27.1	30.6

**Cash Flows**

(PLN m)	2006	2007	2008	2009F	2010F	2011F	2012F
Cash flows from operating activities	43.9	101.7	31.6	110.4	108.1	137.0	136.0
Net income	17.0	52.9	72.6	123.4	106.8	107.6	123.3
Amortization and depreciation	19.4	19.6	22.9	23.7	24.1	24.1	24.1
Working capital	-43.3	-7.4	-5.4	-19.9	-16.4	-11.5	-11.0
Other	50.8	36.6	-58.4	-16.8	-6.5	16.8	-0.4
Cash flows from investing activities	-11.6	28.9	-62.1	-49.6	-45.4	-43.1	-45.2
CAPEX	-11.8	28.3	-48.0	-33.2	-31.3	-28.9	-28.9
Capital investments	-36.5	-21.6	-48.0	-33.2	-31.3	-28.9	-28.9
Other	36.7	22.1	33.9	16.9	17.1	14.7	12.5
Cash flows from financing activities	74.9	-13.5	1.4	-42.6	-51.6	-41.8	-39.6
Stock offering	117.9	0.0	0.0	0.0	0.0	0.0	0.0
Debt	-40.0	-9.1	0.0	0.0	0.0	0.0	0.0
Dividend (buy-back)	0.0	-0.9	0.0	-36.3	-61.7	-53.4	-53.8
Other	-3.0	-3.5	0.0	0.0	0.0	0.0	0.0
Change in cash	107.2	117.1	-29.1	18.2	11.0	52.1	51.2
Cash at end of period	170.6	287.7	258.6	276.8	287.8	339.9	391.0
DPS (PLN)	0.0	0.0	0.0	1.8	3.1	2.7	2.7
FCF	-5.3	68.3	-20.4	80.9	79.7	108.6	107.8
(CAPEX / Sales)	1.0%	-1.5%	2.2%	1.2%	1.1%	0.9%	0.8%

Market multiples

	2006	2007	2008	2009F	2010F	2011F	2012F
P/E	79.1	29.8	21.7	12.8	14.8	14.7	12.8
P/CE	36.9	21.8	16.5	10.7	12.1	12.0	10.7
P/BV	6.0	5.5	4.8	3.6	3.2	2.9	2.6
P/S	1.1	0.8	0.7	0.6	0.5	0.5	0.5
FCF/EV	-0.4%	4.9%	-1.4%	5.7%	5.7%	8.1%	8.3%
EV/EBITDA	31.2	17.8	10.5	7.0	8.6	8.3	7.1
EV/EBIT	59.9	23.7	12.6	7.9	10.1	9.8	8.2
EV/S	1.1	0.7	0.7	0.5	0.5	0.4	0.4
DYield	0.0%	0.1%	0.0%	2.3%	3.9%	3.4%	3.4%
Price (PLN)	77.1						
Shares at year-end (millions)	17.0	20.0	20.0	20.0	20.0	20.0	20.0
MC (PLN m)	1343.2	1579.0	1579.0	1579.0	1579.0	1579.0	1579.0
Equity attributable to minority shareholders (PLN m)	54.4	59.5	59.5	59.5	59.5	59.5	59.5
EV (PLN m)	1 268.0	1 396.6	1 425.7	1 407.5	1 396.5	1 344.4	1 293.2

*EV/EBITDA based on net debt at year-end of each fiscal year.



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**Previous ratings issued for Budimex**

rating	Buy	Hold	Hold	Accumulate
rating date	2009-02-27	2009-04-02	2009-05-11	2009-08-14
price on rating day	56.00	66.35	74.00	69.50
WIG on rating day	21923.27	24145.69	29698.36	35998.12

Previous ratings issued for Mostostal Warszawa

rating	Buy	Buy	Buy	Accumulate	Accumulate
rating date	2009-02-20	2009-03-04	2009-05-22	2009-06-04	2009-08-14
price on rating day	39.00	39.50	54.80	59.10	69.65
WIG on rating day	22199.49	21999.05	29681.36	31030.61	35998.12

**List of abbreviations and ratios contained in the report:**

EV – net debt + market value
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

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